

Estimate change



TP change



Rating change

CMP: INR3,247

TP: INR3,850 (+19%)

Buy

Extreme short-term uncertainty to weigh on outlook

Margin recovery and valuation offer cushion; reiterate BUY

Bloomberg	TCS IN
Equity Shares (m)	3618
M.Cap.(INRb)/(USD\$b)	11746.5 / 135.5
52-Week Range (INR)	4520 / 3056
1, 6, 12 Rel. Per (%)	-9/-13/-17
12M Avg Val (INR M)	10234
Free float (%)	28.2

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	2,553	2,590	2,759
EBIT Margin (%)	24.3	25.3	25.5
PAT	488	518	557
EPS (INR)	134.2	142.5	153.1
EPS Gr. (%)	6.3	6.2	7.5
BV/Sh. (INR)	262	273	284

Ratios

RoE (%)	52.4	53.3	55.0
RoCE (%)	44.9	44.6	45.8
Payout (%)	93.9	93.9	93.9

Valuations

P/E (x)	24.1	22.7	21.2
P/BV (x)	12.4	11.9	11.4
EV/EBITDA (x)	17.3	16.1	14.9
Div Yield (%)	3.9	4.1	4.4

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	71.8	71.8	72.4
DII	10.9	10.9	10.1
FII	12.7	12.7	12.5
Others	4.6	4.7	5.0

FII Includes depository receipts

- TCS reported revenue of USD7.5b in 4QFY25, down 1.0% QoQ in USD terms vs. our estimated decline of 0.8%. FY25 revenue stood at USD30.2b, up 4.2% YoY in CC. 4Q growth was led by BFSI (up 1.3% QoQ). Regional markets declined 6% QoQ (BSNL), whereas all other verticals were down ~1.0% QoQ. In terms of geographies, India was down 15% QoQ, the US was flat, while Europe was up 2% QoQ. EBIT margin was 24.2% (down 30bp QoQ), below our estimate of 24.5%. PAT dipped 1.3% QoQ/1.7% YoY to INR122b (below our est. of INR126b).
- For the full year (FY25), revenue/EBIT/PAT increased 6.0%/4.6%/5.4% YoY (in INR terms). TCS generated an FCF of INR464b in FY25 (up 4.2% YoY). In 1QFY26, we expect revenue/EBIT/PAT to grow 2.2%/3.2%/2.8% YoY. TCS reported a deal TCV of USD12.2b, up 20% QoQ but down 8% YoY, bringing the FY25 TCV to USD39.4b. The book-to-bill ratio was 1.6x. We **reiterate our BUY rating** on TCS with a TP of INR3,850, implying a 19% potential upside.

Our view: Near-term revenue risks remain elevated

- **Management guided international markets to be better in FY26 than in FY25**; however, the magnitude of BSNL ramp-down (if it goes unreplaced) would mean FY26E on a full year could be a year of declining revenues (Exhibit 3). Further, the company's base case is that the current uncertainty will dissipate. However, we remain cautious; too little time has passed to ascertain whether the current events are short-lived, and we expect 1Q to be a QoQ decline (overall, including BSNL).
- **Margins were a disappointment in 4Q**; management attributed higher employee costs to employee interventions and promotions while deferring wage hikes that typically happen in 1Q. This was odd, as the demand environment does not warrant urgent employee interventions out of the cycle. That said, BSNL's ramp-down would most certainly be accompanied by lower third-party expenses (Exhibit 2). We expect this to aid margin recovery in FY26E. We expect margins of 25.3% in FY26 (~100bp expansion YoY).
- Deal TCV of USD12.2b without any mega deal was encouraging. This will provide respite in the international business in 1H only if ramp-up happens on time and clients again do not ask for sudden deferrals, which is a key risk for the next couple of quarters, in our opinion.
- As we mentioned in our earlier reports (dated 4th Apr'25: [Liberation Day and Indian IT: Breaking point or turning point?](#) and dated 30th Mar'25: [Technology 4Q Preview: Tempered expectations](#)), there is earnings risk for Indian IT services across the board, and we prefer bottom-up and margin expansion stories in place of top-down discretionary plays. TCS's margin expansion aids earnings visibility despite the revenue risk. We continue to retain our BUY rating on the stock.

Abhishek Pathak - Research Analyst (Abhishek.Pathak@MotilalOswal.com)

Research Analyst -Keval Bhagat (Keval.Bhagat@MotilalOswal.com) | **Tushar Dhonde** (Tushar.Dhonde@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuations and changes to our estimates

- During FY25-27, we expect a USD revenue CAGR of ~3.1% and an INR EPS CAGR of ~6.8%. We have marginally tweaked our estimates, factoring in the BSNL ramp-down and near-term revenue risks. Our TP of INR3,850 implies 25x FY27 EPS, with a 19% upside potential. We reiterate our BUY rating.

Miss on revenue and margins; TCV deal wins beat our estimates

- USD revenue came in at USD7.5b; down 1.0% QoQ in USD terms vs. our estimates of -0.8%. FY25 revenue stood at USD30.2b, up 4.2% YoY CC.
- Barring India, growth stood at 0.6% QoQ in USD terms.
- TCS's 4Q growth was led by BFSI (up 1.3% QoQ). Regional markets declined 6% QoQ (BSNL), while all other verticals were down ~1.0% QoQ. In terms of geographies, India was down 15% QoQ, the US was flat, while Europe was up 2% QoQ.
- EBIT margin was 24.2% (down 30bp QoQ), below our estimate of 24.5%. For FY25, the EBIT margin stood at 24.3% vs. 24.7% in FY24.
- TCS reported a deal TCV of USD12.2b in 4QFY25 (USD39.4b in FY25), up 20% QoQ but down 8% YoY (vs. our estimate of USD8-9b).
- PAT dipped 1.3%/1.7% QoQ/YoY to INR122b (below our est. of INR126b). For FY25, PAT stood at INR486b. TCS generated an FCF of INR464b in FY25 (+4.2% YoY).
- The net headcount rose by 625 employees to 6,07,979 (flat QoQ) in 4QFY25. LTM attrition in IT services was 13.3% vs. 12.5% in FY24.
- The Board declared a final dividend of INR30/share in 4QFY25.

Key highlights from the management commentary

- The company observed delays in decision-making around discretionary spending. The anticipated revival in such spending, as expected in 3Q, has not materialized. However, the focus on cost optimization programs from clients is increasing, which presents new opportunities for TCS.
- Uncertainty in demand began to emerge in Mar'25, although no major project ramp-downs have been observed so far.
- Sectors such as Retail, CPG, Travel, and Automotive are expected to be the most affected due to tariffs.
- The demand environment in BFSI remains strong, except for Insurance, which has been experiencing some challenges.
- Management maintains a positive outlook for FY26 (to be better than FY25), especially in international markets. It is also exploring domestic opportunities to offset the impact of the BSNL ramp-down.
- Auto OEMs are witnessing weak demand, partly due to a downturn in the EV segment and turbulence in the ICE market with the increased inventories. Heightened caution was seen in the US following a decline in consumer sentiment from Feb'25.
- Margin walk: Tactical interventions, such as merit-based promotions effective from January 1, had a 100bp impact. Higher expenses in strategic marketing and travel contributed 60bp of pressure. However, currency movements provided a 40bp cushion, with the remaining impact mitigated through operating efficiencies.

Valuation and view

- Given its size, order book, and exposure to long-duration orders and portfolio, TCS is well-positioned to grow over the medium term.
- Owing to its steadfast market leadership position and best-in-class execution, the company has been able to sustain its industry-leading margin and demonstrate superior return ratios.
- We maintain our positive stance on TCS. Our TP of INR3,850 implies 25x FY27 EPS, with a 19% upside potential. We reiterate our **BUY** rating on the stock.

Exhibit 1: Deal wins strong at USD12.2b with a book-to-bill ratio of 1.6x

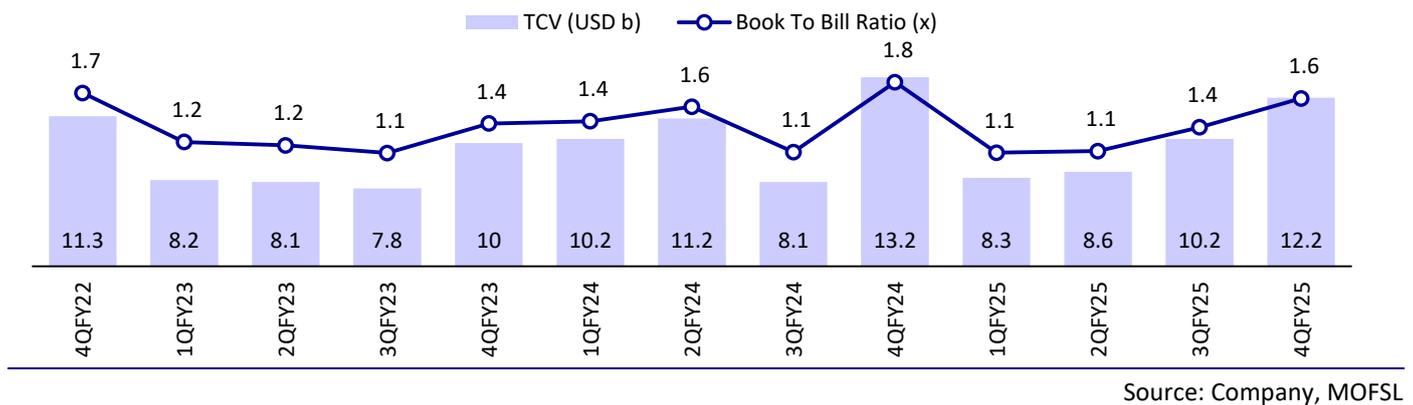


Exhibit 2: BSNL ramp-down likely to reduce costs, supporting FY26E margin recovery

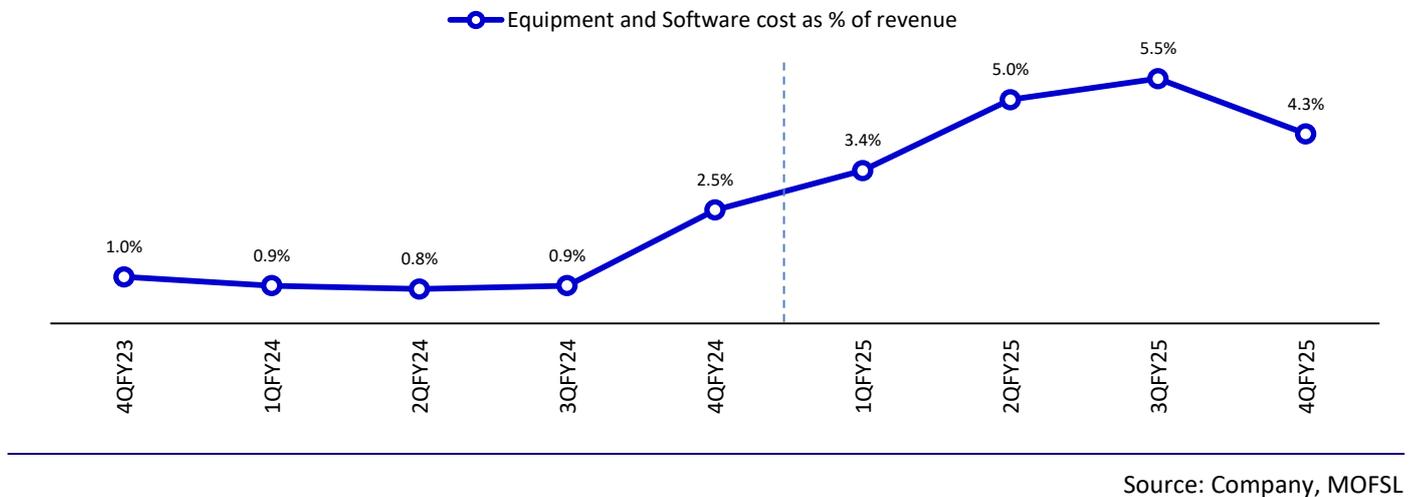


Exhibit 3: TCS flags better FY26 for the International market, but BSNL ramp-down poses a headwind for overall growth

QoQ growth except FYs	FY25 (YoY)	1QFY26E	2QFY26E	3QFY26E	4QFY26E	FY26E (YoY)
India markets' USD growth	58.8%	(20.0%)	(15.0%)	(5.0%)	0.0%	(33.4%)
International markets' USD growth	0.5%	1.0%	1.5%	1.0%	2.0%	2.4%
Total revenue USD growth	3.8%	(0.8%)	0.4%	0.7%	1.9%	(0.7%)

Source: Company, MOFSL; Note: FY25/FY26 growth numbers are on YoY basis

Exhibit 4: Vertical-wise performance (QoQ, %)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
BFSI	2.0	1.9	6.2	1.3	1.1	-0.8	0.1	-1.8	-0.1	0.6	1.9	-2.7	1.3
Retail & CPG	9.0	4.5	2.7	2.2	1.7	1.1	-1.5	-0.3	1.1	0.0	0.2	-0.4	-1.0
Communication & Media	4.2	2.8	8.9	1.5	0.3	-1.0	-1.6	-1.9	-0.4	-4.2	-2.7	-3.4	-1.0
Manufacturing	6.9	0.2	-16.0	2.9	1.7	1.7	2.2	2.2	3.5	1.9	-0.1	-4.0	-1.0
Life Sciences & Healthcare	4.7	2.3	7.5	3.8	2.6	1.4	-1.1	1.0	1.1	2.9	-3.4	-4.5	-1.0
Technology & Services	3.8	2.4	4.9	1.7	0.6	-1.8	-1.4	-1.4	-1.3	0.7	0.9	-1.7	0.3
Energy and Utilities	0.0	0.0	0.0	7.0	5.6	2.3	1.6	2.8	-0.6	1.9	4.0	-1.7	-1.0
Regional markets & Others	-5.6	-4.0	-38.2	8.0	2.7	3.3	0.7	12.9	6.1	10.6	13.1	2.7	-5.9

Source: Company, MOFSL

Exhibit 5: Region-wise performance (QoQ, %)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
North America	4.5	4.4	3.5	1.7	-0.8	-0.3	-0.8	-1.2	-0.1	0.9	-1.7	-1.5	0.1
Latin America	2.6	7.2	-4.2	8.9	1.7	11.6	-0.2	6.0	-3.7	-3.2	-3.2	3.8	-6.2
UK	2.6	-3.3	-1.3	5.7	7.2	4.9	0.4	0.4	3.6	2.5	2.8	-4.0	0.2
Continental Europe	-0.6	-0.7	-3.2	5.0	3.8	-0.9	-0.2	1.7	-1.6	0.5	3.6	-6.4	1.9
India	-4.8	-4.7	7.8	2.9	-0.3	-1.6	-0.2	25.7	11.1	14.1	21.3	8.2	-15.1
Asia Pacific	1.4	-1.1	-2.2	1.6	3.0	-2.1	-0.2	1.0	1.1	1.9	4.8	-4.2	2.8
MEA	8.0	-8.9	7.1	-2.5	13.0	0.4	9.8	-8.2	6.2	-2.9	7.3	7.7	3.3

Source: Company, MOFSL

Quarterly Performance (IFRS)

Y/E March	(INR b)											
	FY24				FY25				FY24	FY25	Est.	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QFY25E	(% / bp)	
IT Services Revenue (USD m)	7,226	7,210	7,281	7,363	7,505	7,670	7,539	7,465	29,080	30,179	7,477	-0.2
QoQ (%)	0.4	-0.2	1.0	1.1	1.9	2.2	-1.7	-1.0	4.1	3.8	-0.8	-16bp
Overall Revenue (INR b)	594	597	606	612	626	643	640	645	2,409	2,553	648	-0.5
QoQ (%)	0.4	0.5	1.5	1.1	2.2	2.6	-0.4	0.8			1.3	-54bp
YoY (%)	12.6	7.9	4.0	3.5	5.4	7.7	5.6	5.3	6.8	6.0	5.9	-57bp
GPM (%)	39.5	40.1	40.8	41.1	42.6	38.2	38.8	38.8	40.4	39.6	39.3	-52bp
SGA (%)	16.4	15.8	15.8	15.1	18.0	14.1	14.3	14.6	15.7	15.2	14.8	-22bp
EBITDA	150	157	164	172	167	168	170	169	643	674	172	-1.7
EBITDA Margin (%)	25.2	26.3	27.1	28.1	26.7	26.1	26.5	26.2	26.7	26.4	26.6	-31bp
EBIT	138	145	152	159	154	155	157	156	594	622	159	-1.8
EBIT Margin (%)	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	24.7	24.3	24.5	-30bp
Other income	12	8	7	9	8	6	10	8	37	32	10	-17.6
PBT	150	153	159	168	162	160	167	164	632	653	169	-2.7
ETR (%)	25.8	25.8	25.8	25.8	25.4	25.4	25.3	25.1	25.7	25.3	25.5	-45bp
Adj. PAT	111	114	118	125	121	120	124	123	469	488	126	-2.1
Exceptional items	0	0	-7	0	0	0	0	0	-7	0	0	
Reported PAT	111	114	111	125	121	120	124	123	462	488	126	-2.1
QoQ (%)	-2.8	2.3	-2.5	12.7	-3.2	-1.2	4.1	-1.2			0.9	-212bp
YoY (%)	16.8	8.7	2.0	9.3	8.9	5.1	12.1	-1.7	9.3	5.5	0.4	-211bp
EPS (INR)	30.3	31.0	30.3	34.4	33.3	32.9	34.2	33.8	126.3	134.2	34.5	-2.1

Key Performance Indicators

Y/E March	FY24				FY25				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Costs (% of revenue)										
COGS	60.5	59.9	59.2	58.9	57.4	61.8	61.2	61.2	59.6	60.4
SGA	16.4	15.8	15.8	15.1	18.0	14.1	14.3	14.6	15.7	15.2
Margins										
Gross Margin	39.5	40.1	40.8	41.1	42.6	38.2	38.8	38.8	40.4	39.6
EBIT Margin	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	24.7	24.3
Net Margin	18.7	19.1	19.4	20.4	19.3	18.6	19.5	19.1	19.5	19.1
Operating metrics										
Headcount (k)	615.3	609	603.3	601.5	607.0	612.7	607.4	608.0	602	608
Attrition (%)	17.8	14.9	13.3	12.5	12.1	12.3	13.0	13.3	12.5	13.3
Deal Win TCV (USD b)	10.2	11.2	8.1	13.2	8.3	8.6	10.2	12.2	42.7	39.3
Key Verticals (YoY CC %)										
BFSI	3.0	-0.5	-3.0	-3.2	-0.9	0.1	0.9	2.5	-1.0	0.7
Retail	5.3	1.0	-0.3	-0.3	-0.3	0.1	1.1	-0.2	1.8	0.3
Key Geographies (YoY CC%)										
North America	4.6	0.1	-3.0	-2.3	-1.1	-2.1	-2.3	-1.9	-0.2	-1.8
UK	16.1	10.7	8.1	6.2	6.0	4.6	4.1	1.2	10.1	4.0
Continental Europe	3.4	1.3	0.5	-2.0	0.9	1.8	-1.5	1.4	0.7	0.7



Highlights from the management commentary

4QFY25 performance and demand outlook

- **The company observed delays in decision-making around discretionary spending.** The anticipated revival in such spending, as expected in 3Q, has not materialized. However, the focus on cost optimization programs from clients is increasing, which presents new opportunities for TCS.
- Uncertainty in demand began to emerge in Mar'25, although no major project ramp-downs have been observed so far. Sectors such as Retail, CPG, Travel, and Automotive are expected to be the most affected due to tariffs.
- The demand environment in BFSI remains resilient, except for Insurance, which has been experiencing some challenges.
- Organizations continue to face high levels of technology debt and thus technology transformation—particularly in cloud adoption—is expected to drive growth.
- **The company maintains a positive outlook for FY26 (to be better than FY25), especially in international markets.** It is also exploring domestic opportunities to offset the adverse impact of the BSNL ramp-down.
- The quarter saw a healthy mix of cost optimization and vendor consolidation programs, with all major markets recording sequential growth. Deal activity included a balanced mix of large, medium, and small deals.
- There was no major change in the split between renewals and new deal wins.
- **Deal cycles are shortening, but deal durations have remained stable.**
- Key themes in deal wins included vendor consolidation, technology modernization, customer experience transformation, and AI adoption for both business and IT.
- **The BFSI sector maintained a positive demand outlook, though Insurance showed some softness.**
- BFSI clients continue to focus on initiatives led by tech modernization, cost optimization, vendor consolidation, and regulatory spending.
- Banking and financial institutions are proactively addressing tech obsolescence via legacy modernization efforts, examples being core platform upgrades in payment operations and improved lending experience.
- The professional services segment within Hi-tech is showing some softness.
- The automotive sector is likely to be impacted by tariffs.
- **Auto OEMs are witnessing weak demand, partly due to a downturn in the EV segment and turbulence in the ICE market with the increased inventories.**
- The Aerospace industry is seeing a surge in demand for new planes and engines but is struggling in the near term due to supply chain disruptions.
- **The Retail vertical is expected to be most affected by US-imposed tariffs.**
- **Heightened caution was seen in the US following a decline in consumer sentiment from Feb'25.**
- In regional markets, public sector demand remains strong, driven by national development initiatives.
- However, they are prioritizing cost-saving and defensive technology trade deductions and trade deduction modernization initiatives, especially on the enterprise digital core.

- Customers are moving cautiously, focusing on critical programs, which is leading to delays or reassessment of project timelines.
- Net headcount increased by 625 to reach 607,979 employees as of 4QFY25 (flat QoQ). The company is comfortable with current attrition levels, and no significant AI-related impact on hiring has been observed.
- Over one-third of client engagements now involve AI or GenAI for accelerated project outcomes and improved quality. There have been no deal cancellations related to GenAI engagements.
- The Board declared a final dividend of INR30 per share for 4QFY25.

Margin performance and outlook

- Operating margin for 4QFY25 stood at 24.2%, down 30bp QoQ. Investments in capabilities adversely impacted margins.
- **Margin Walk:** Tactical interventions, such as merit-based promotions effective from 1st Jan'25, had a 100bp impact. Higher expenses in strategic marketing and travel contributed 60bp of pressure. However, currency movements provided a 40bp cushion, with the remaining impact mitigated through operating efficiencies.
- **Management maintained its margin guidance in the 26–28% range. Some pressure may arise from reduced utilization and lack of currency tailwinds.** Pyramid, productivity enhancements, and improved realizations remain key levers.
- **Subcontracting costs are expected to unwind as the BSNL deal ramps down, which should support margin improvement.**
- Capex stood at INR50b in FY25, with continued investment in talent and strategic partnerships planned.
- **Wage hikes for FY26 are yet to be finalized.**

Valuation and view

- Given its size, order book, and exposure to long-duration orders and portfolio, TCS is well-positioned to grow over the medium term.
- Owing to its steadfast market leadership position and best-in-class execution, the company has been able to sustain its industry-leading margin and demonstrate superior return ratios.
- We maintain our positive stance on TCS. Our TP of INR3,850 implies 25x FY27 EPS, with a 19% upside potential. **We reiterate our BUY rating on the stock.**

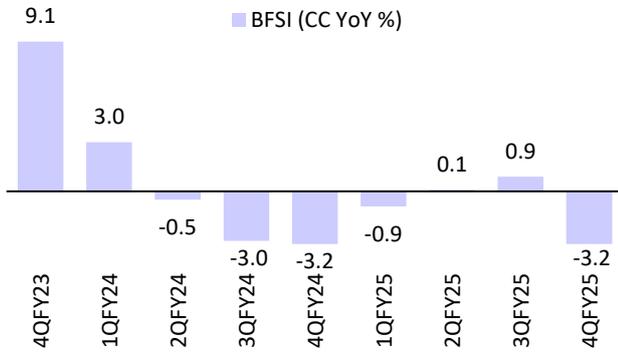
Exhibit 6: Revisions to our estimates

	Revised			Earlier			Change		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
INR/USD	84.6	86.0	86.0	84.7	86.0	86.0	-0.1%	0.0%	0.0%
USD Revenue (m)	30,179	30,069	32,033	30,191	30,864	32,959	0.0%	-2.6%	-2.8%
Growth (%)	3.8	(0.4)	6.5	3.8	2.2	6.8	0bp	-260bp	-30bp
EBIT margin (%)	24.3	25.3	25.5	24.4	25.7	26.0	-10bp	-50bp	-50bp
PAT (INR b)	486	514	553	488.2	537.4	578.8	-0.5%	-4.3%	-4.5%
EPS	134.2	142.2	152.8	134.9	148.5	159.9	-0.5%	-4.3%	-4.5%

Source: MOFSL

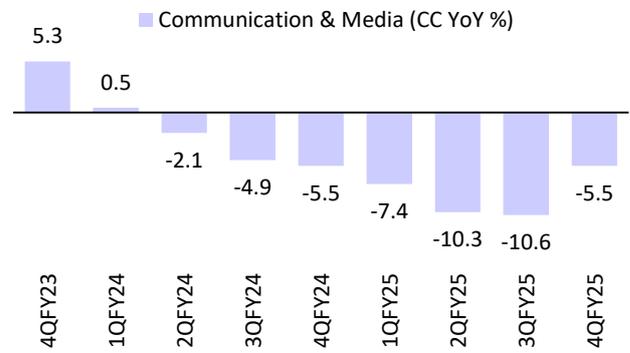
Story in charts

Exhibit 7: BFSI declined YoY, but the demand environment remained good



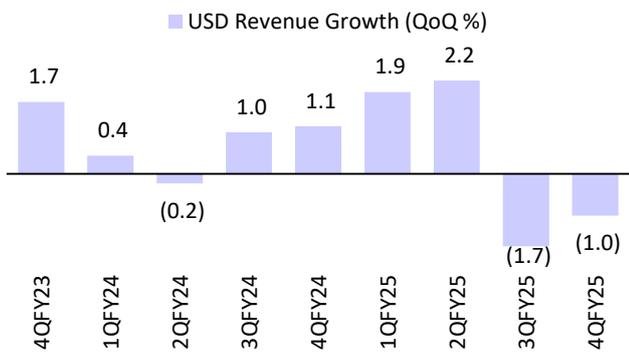
Source: Company, MOFSL

Exhibit 8: Communication and media continued to struggle



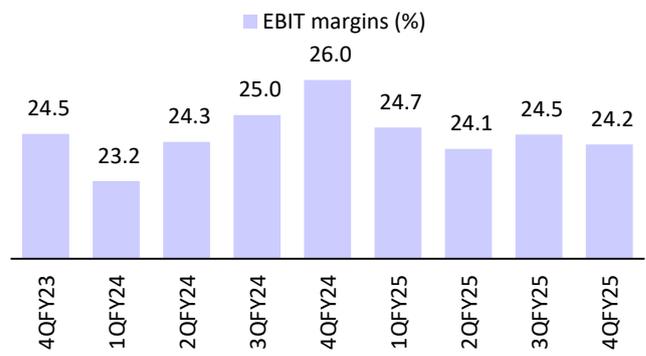
Source: Company, MOFSL

Exhibit 9: Revenue was down 1% QoQ



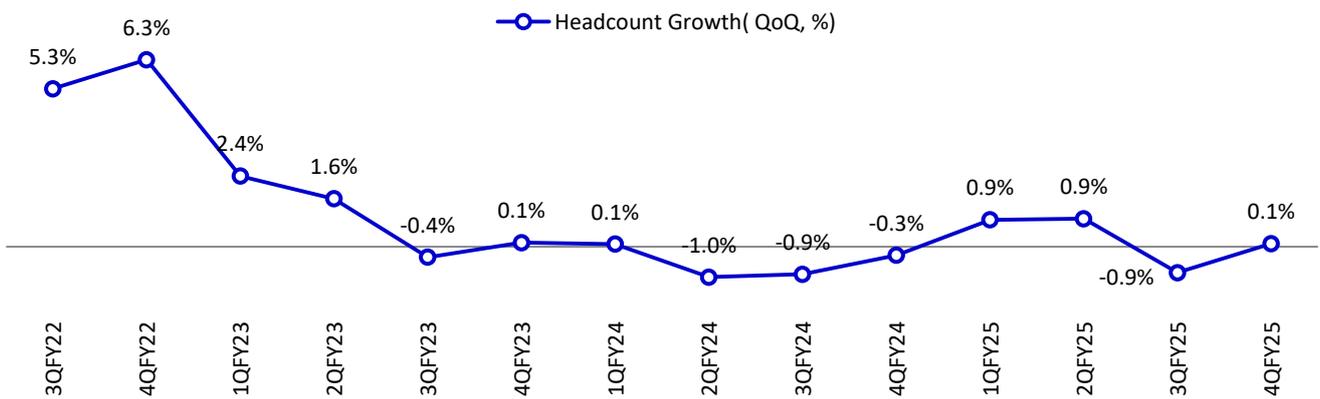
Source: Company, MOFSL

Exhibit 10: Margin contracted 30bp due to investments



Source: Company, MOFSL

Exhibit 11: Headcount growth was flat sequentially



Source: Company, MOFSL

Operating metrics

Exhibit 12: Operating metrics

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Verticals (%)									
BFSI	32.9	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2
Retail & CPG	16	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3
Communication & Media	7.1	7.0	6.9	6.7	6.6	6.2	5.9	5.8	5.8
Manufacturing	8.2	8.3	8.5	8.6	8.8	8.8	8.6	8.4	8.4
Life Sciences & Healthcare	10.9	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1
Technology & Services	8.9	8.7	8.6	8.4	8.2	8.1	8.0	8	8.1
Energy & Utilities	5.4	5.5	5.6	5.7	5.6	5.6	5.7	5.7	5.7
Regional markets & Others	10.6	10.9	11.0	12.3	12.9	14.0	15.5	16.2	15.4
Geographies (%)									
North America	52.4	52	51.7	50.6	50	49.5	47.6	47.7	48.2
Latin America	1.8	2.0	2.0	2.1	2	1.9	1.8	1.9	1.8
UK	15.7	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8
Continental Europe	15.1	14.9	14.9	15	14.6	14.4	14.6	13.9	14.3
India	5.0	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4
Asia Pacific	8	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1
MEA	2.0	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4
QoQ growth (%)									
BFSI	1.1	(0.8)	0.1	(1.8)	(0.1)	0.6	1.9	(2.7)	1.3
Retail & CPG	1.7	1.1	-1.5	(0.3)	1.1	(0.0)	0.2	(0.4)	(1.0)
Communication & Media	0.3	(1.0)	-1.6	(1.9)	(0.4)	(4.2)	-2.7	(3.4)	(1.0)
Manufacturing	1.7	1.7	2.2	2.2	3.5	1.9	-0.1	(4.0)	(1.0)
Life Sciences & Healthcare	2.6	1.4	-1.1	1.0	1.1	2.9	-3.4	(4.5)	(1.0)
Technology & Services	0.6	(1.8)	-1.4	(1.4)	(1.3)	0.7	0.9	(1.7)	0.3
Energy and Utilities	5.6	2.3	1.6	2.8	-0.6	1.9	4.0	-1.7	-1.0
Regional markets & Others	2.7	3.3	0.7	12.9	6.1	10.6	13.1	2.7	(5.9)
North America	(0.8)	(0.3)	-0.8	(1.2)	(0.1)	0.9	-1.7	(1.5)	0.1
Latin America	1.7	11.6	-0.2	6.0	(3.7)	(3.2)	-3.2	3.8	(6.2)
UK	7.2	4.9	0.4	0.4	3.6	2.5	2.8	(4.0)	0.2
Continental Europe	3.8	(0.9)	-0.2	1.7	(1.6)	0.5	3.6	(6.4)	1.9
India	(0.3)	(1.6)	-0.2	25.7	11.1	14.1	21.3	8.2	(15.1)
Asia Pacific	3.0	(2.1)	-0.2	1.0	1.1	1.9	4.8	(4.2)	2.8
MEA	13.0	0.4	9.8	(8.2)	6.2	(2.9)	7.3	7.7	3.3
Total Employees (k)	615	615	609.0	603	602	607	612.7	607	608
Net Additions (k)	0.8	0.5	-6.3	-5.7	-1.8	5.5	5.7	-5.4	0.6
Attrition (LTM %)	20.1	17.8	14.9	13.3	12.5	12.1	12.3	13	13.3

Source: Company, MOFSL

Financials and valuations

Income statement								(INR b)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales	1,569	1,642	1,918	2,255	2,409	2,553	2,590	2,759
Change (%)	7.2	4.6	16.8	17.6	6.8	6.0	1.4	6.5
Cost of Services	923	971	1,146	1,363	1,436	1,542	1,563	1,659
Gross Profit	646	670	771	892	973	1,011	1,026	1,100
SG&A Expenses	260	246	287	350	379	389	372	397
EBITDA	421	465	530	592	644	674	719	772
% of Net Sales	26.8	28.4	27.7	26.3	26.7	26.4	27.8	28.0
Depreciation	35	41	46	50	50	52	65	69
EBIT	386	425	485	542	594	622	654	703
% of Net Sales	24.6	25.9	25.3	24.1	24.7	24.3	25.3	25.5
Other Income	37	25	32	27	37	32	41	44
PBT	422	450	517	569	632	653	696	747
Tax	98	115	132	146	163	165	177	191
Rate (%)	23.2	25.5	25.6	25.7	25.7	25.3	25.5	25.5
Extraordinary gains/loss	0	-10	0	0	-7	0	0	0
Minority Interest	1	1	1	2	2	2	3	3
Adjusted PAT	324	326	384	423	462	488	518	557
Change (%)	2.8	0.4	18.1	10.0	9.3	5.5	6.2	7.4

Balance Sheet								(INR b)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Share capital	4	4	4	4	4	4	4	4
Reserves	838	861	888	901	901	944	982	1,023
Net Worth	841	864	891	904	905	948	986	1,027
Minority Interest & Others	97	102	100	97	99	119	133	142
Loans	0	0	0	0	0	0	0	0
Capital Employed	938	966	992	1,001	1,003	1,066	1,119	1,169
Gross Block	408	449	500	542	586	673	738	804
Depreciation	207	247	293	343	393	445	510	579
Net Block	201	201	207	199	193	227	227	225
Intangibles	45	57	55	52	52	54	50	52
Other LT assets	60	56	70	83	89	84	100	106
Curr. Assets	902	993	1,083	1,103	1,130	1,230	1,198	1,272
Debtors	363	367	418	500	536	590	561	598
Cash & Bank Balance	97	69	125	71	90	83	170	243
Investments	261	316	360	401	358	378	333	288
Other Current Assets	182	241	180	131	146	178	135	143
Current Liab. & Prov	271	342	424	436	461	530	456	486
Net Current Assets	632	651	660	667	669	700	742	786
Application of Funds	938	966	992	1,001	1,003	1,066	1,119	1,169

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	86.2	86.7	104.0	115.3	126.3	134.2	142.5	153.1
Cash EPS	95.6	97.6	116.4	129.0	139.9	148.7	160.4	172.2
Book Value	224.2	231.1	241.8	247.3	248.1	261.9	272.6	283.8
DPS	71.4	97.2	100.9	115.1	72.9	126.0	133.8	143.8
Payout (%)	82.8	112.1	97.1	99.8	57.7	93.9	93.9	93.9
Valuation (x)								
P/E	37.6	37.4	31.2	28.1	25.7	24.1	22.7	21.2
Cash P/E	33.9	33.2	27.8	25.1	23.1	21.8	20.2	18.8
EV/EBITDA	28.6	25.9	22.3	19.9	18.2	17.3	16.1	14.9
EV/Sales	7.7	7.3	6.2	5.2	4.9	4.6	4.5	4.2
Price/Book Value	14.4	14.0	13.4	13.1	13.1	12.4	11.9	11.4
Dividend Yield (%)	2.2	3.0	3.1	3.6	2.2	3.9	4.1	4.4
Profitability Ratios (%)								
RoE	37.3	38.0	43.7	46.9	50.9	52.4	53.3	55.0
RoCE	31.7	33.2	36.8	40.5	44.0	44.9	44.6	45.8
Turnover Ratios								
Debtors (Days)	84	82	80	81	81	84	79	79
Fixed Asset Turnover (x)	7.8	8.1	9.3	11.3	12.5	11.2	11.4	12.3

Cash Flow Statement

(INR b)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
CF from Operations	370	379	427	462	512	523	575	620
Cash for Working Capital	-47	9	-28	-42	-69	-34	0	-18
Net Operating CF	324	388	399	420	443	489	575	602
Net Purchase of FA	-32	-32	-30	-31	-27	-39	-50	-53
Free Cash Flow	291	356	370	389	417	450	525	548
Net Purchase of Invest.	118	-50	21	31	87	16	45	45
Net Cash from Invest.	86	-81	-9	0	60	-23	-5	-8
Proceeds from Equity Issues	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	-13	-211	-195	-57	-16	-16	0	0
Others	-9	-6	-7	-8	-7	-8	0	0
Dividend Payments	-377	-109	-134	-414	-462	-450	-484	-520
Cash Flow from Fin.	-399	-326	-336	-479	-485	-474	-484	-520
Net Cash Flow	14	-18	56	-54	19	-7	86	73
Opening Cash Balance	77	91	73	130	76	95	88	174
Add: Net Cash	14	-18	56	-54	19	-7	86	73
Closing Cash Balance	91	73	130	76	95	88	174	247

Investment in securities market is subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts", and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

Specific Disclosures

1. Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies).
MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
Nature of Financial interest is holding equity shares or derivatives of the subject company
2. Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
3. Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
4. Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
5. Research Analyst has not served as an officer, director or employee of subject company(ies).
6. MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
10. MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:

- financial interest in the subject company

- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.